

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TURIN TOWNSHIP	County MARQUETTE
Fiscal Year End MARCH 31, 2006	Opinion Date SEPTEMBER 20, 2006	Date Audit Report Submitted to State SEPTEMBER 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

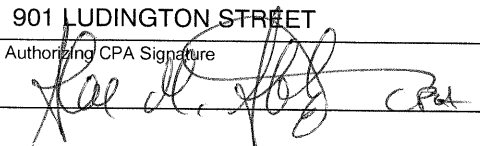
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ANDERSON, TACKMAN & COMPANY, PLC		Telephone Number 906-786-3111	
Street Address 901 LUDINGTON STREET		City ESCANABA	State MI
Authorizing CPA Signature 		Printed Name ALAN M. STOTZ, CPA	Zip 49829
		License Number 1599539	

TOWNSHIP OF TURIN

BASIC FINANCIAL STATEMENTS

For the Year Ended March 31, 2006

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ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA
Sarah M. Peloza, CPA

INDEPENDENT AUDITORS' REPORT

Township Board
Township of Turin
Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Turin as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note A, the Township of Turin prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - cash basis of the governmental activities and each major fund of the Township of Turin, Michigan as of March 31, 2006, and the respective changes in financial position - cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note A.

The Management's Discussion and Analysis on pages 3 - 8, and the budgetary comparisons on page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Turin's basic financial statements. The schedules listed as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Andersey, Tackman & Company P.L.C.

Certified Public Accountants

September 20, 2006

Management's Discussion and Analysis

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Turin Township's financial performance provides an overview of the Township's financial activities for the year ended March 31, 2006. Please read it in conjunction with the Township's financial statements, which begin on page 10.

The Turin Township's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the township's financial activity; (c) identify changes in the township's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns. This is the first year the township has reported under GASB 34, therefore, no comparisons with prior year will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.

FINANCIAL HIGHLIGHTS

- Net assets for the Township were reported at \$233,285.
- The Township's expenses for the year totaled \$53,397, while revenues from all sources totaled \$53,253, resulting in a decrease in net assets of \$144.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 10 and 11) provide information about the activities of the Township as a whole and present a longer term view of the Township's finances. Fund financial statements start on page 12. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The remaining statement provides financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside of the Township.

Reporting the Township as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the Township as a whole begins on page 5. One of the most important questions asked about the Township's finances; "Is the Township as a whole better off or in worse condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *cash basis of accounting*. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's net assets and changes in them. You can think of the Township's net assets- the difference between

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

assets and liabilities- as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's property tax base to assess the *overall financial health* of the Township.

In the Statement of Net Assets and the Statement of Activities, we represent the Township into one category of activity:

- Governmental activities - All of the Township's basic services are reported here including sanitation, roads, public improvements and general administrative services. Property taxes and state shared revenues make up the majority of revenue for these activities.

Reporting the Township's Most Significant Funds

Fund Financial Statements

Our analysis of the Township's major funds begin on page 6. The fund financial statements begin on page 12 and provide detailed information on the most significant funds - not the Township as a whole. Some funds are required to be established by State law, and by bond covenants. However, the Township Board of Trustees may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for certain taxes, grants, and other money.

- *Governmental funds* - All of the Township's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view of the Township's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The Township as a Trustee

The Township is the trustee, or *fiduciary*, for tax receipts and other collections, which are collected for other agencies and held for a periodic payment to those agencies. The Township's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 16. We exclude these

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

funds from the Township's other financial statements because the Township cannot use these assets to finance its operations. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The Township as a Whole

The Township's net combined assets decreased by \$144

Table 1
Net Assets

	Governmental Activities <u>2006</u>
Assets:	
Current and other assets	\$ 191,609
Capital assets(net)	<u>41,676</u>
Total Assets	<u>\$ 233,285</u>
Net Assets:	
Invested in capital assets, net of related debt	41,676
Unrestricted	<u>191,609</u>
Total net assets	<u>\$ 233,285</u>

Net assets of the Township's governmental activities stood at \$233,285. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$191,609.

Table 2
Changes in Net Assets

	Governmental Activities <u>2006</u>
Revenues:	
General Revenues:	
Property taxes	\$ 38,834
State revenue sharing	9,131
Reimbursements	1,693
Interest income	<u>3,595</u>
Total Revenues	<u>53,253</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

Program Expenses:	
Legislative	285
General government	16,245
Other general government	17,954
Sanitation	12,440
Capital Outlay	638
Other	<u>5,835</u>
Total Expenses	<u>53,397</u>
Increase (decrease) in net assets	(144)
Net assets - beginning	<u>233,429</u>
Net assets - ending	<u>\$ 233,285</u>

Governmental Activities

Revenues for the Township's governmental activities totaled \$53,253 while expenses were \$53,397. The excess of expenses over revenue was \$144. Table three below reflects the cost of each of the Township's five largest activities; Other general government, General government, Sanitation, Other, and Capital outlay, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>
Other general government	\$ 17,954	\$ 17,954
General government	16,245	16,245
Sanitation	12,440	12,440
Other	5,835	5,835
Capital outlay	<u>638</u>	<u>638</u>
Totals	<u>\$ 53,112</u>	<u>\$ 53,112</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

THE TOWNSHIP'S FUNDS

The focus of the governmental funds of the Township is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the Township's net resources available for spending at the end of the fiscal year.

For the current fiscal year the Township's governmental funds reported total fund balance of \$191,609 which is unreserved.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The original budget projected a decline in fund balance in the amount of \$54,750, while the actual results showed an increase to fund balance of \$3,756.

CAPITAL ASSETS

At fiscal year ended March 31, 2006, the Township had \$41,676, net of accumulated depreciation, invested in a variety of capital assets including land and improvements, buildings and improvements, equipment, and vehicles. (See table 4 below):

Table 4
Capital Assets at Year-End
(Net of accumulated depreciation)

	Governmental Activities <u>2006</u>
Land	\$ 701
Buildings and improvements	<u>40,975</u>
Total	<u>\$ 41,676</u>

MANAGEMENT DISCUSSION AND ANALYSIS (continued):

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Township Board and Township management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the Township Supervisor at the Turin Township Hall, Marquette County, Michigan.

Basic Financial Statements

TOWNSHIP OF TURIN
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Cash on hand	\$ 20
Unrestricted	<u>191,589</u>
Total current assets	191,609
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>41,676</u>
Total assets	<u><u>\$ 233,285</u></u>
 NET ASSETS	
 Invested in capital assets, net of related debt	\$ 41,676
Unrestricted	<u>191,609</u>
 TOTAL NET ASSETS	<u><u>\$ 233,285</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF TURIN
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>	<u>Net (Expense) Revenue and Changes in Net Assets Primary Government</u>
Primary government:			
Governmental activities:			
Legislative	\$ 285	\$ -	\$ (285)
General government	16,245	-	(16,245)
Other general government	17,954	-	(17,954)
Sanitation	12,440	-	(12,440)
Capital outlay	638	-	(638)
Other	5,835	-	(5,835)
Total governmental activities	<u>53,397</u>	<u>-</u>	<u>(53,397)</u>

General revenues:	
Property taxes	38,834
State revenue sharing	9,131
Reimbursements	1,693
Interest income	<u>3,595</u>
Total general revenues	<u>53,253</u>
Change in net assets	(144)
Net assets, beginning	<u>233,429</u>
Net assets, ending	<u><u>\$ 233,285</u></u>

See accompanying notes to financial statements

TOWNSHIP OF TURIN
BALANCE SHEET-CASH BASIS
GOVERNMENTAL FUNDS
March 31, 2006

	<u>General Fund</u>
ASSETS	
Cash and equivalents:	
Cash on hand	\$ 20
Unrestricted	<u>191,589</u>
 Total assets	 <u><u>\$ 191,609</u></u>
 FUND BALANCES	
Unreserved:	
Undesignated	<u>\$ 191,609</u>
 Total fund balances	 <u><u>\$ 191,609</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF TURIN
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
March 31, 2006

Total fund balances for governmental funds	\$ 191,609
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Total net assets reported for governmental activities in the statement of net assets
is different because:

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the funds. Those assets consist of:

Land	701	
Buildings and improvements	156,000	
Accumulated depreciation	<u>(115,025)</u>	
Total capital assets		<u>41,676</u>

Total net assets of governmental activities	<u><u>\$ 233,285</u></u>
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See accompanying notes to financial statements.

TOWNSHIP OF TURIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
CASH BASIS
GOVERNMENTAL FUNDS
For the Year Ended March 31, 2006

	General Fund
REVENUES:	
Taxes	\$ 38,834
State sources	9,131
Reimbursements	1,693
Interest and rentals	<u>3,595</u>
Total revenues	<u>53,253</u>
EXPENDITURES:	
Legislative	285
General government	12,345
Other general government	17,954
Sanitation	12,440
Capital outlay	638
Other	<u>5,835</u>
Total expenditures	<u>49,497</u>
Excess revenues (expenditures)	3,756
Fund balance - beginning of year	<u>187,853</u>
Fund balance - end of year	<u><u>\$ 191,609</u></u>

See accompanying notes to financial statements.

TOWNSHIP OF TURIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2006

Net changes in fund balances - total governmental funds	\$ 3,756
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The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are capitalized and the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) exceeded depreciation expense (\$3,900).

(3,900)

Changes in net assets of governmental activities

\$ (144)

See accompanying notes to financial statements.

TOWNSHIP OF TURIN
STATEMENT OF FIDUCIARY NET ASSETS-CASH BASIS
FIDUCIARY FUNDS
March 31, 2006

ASSETS

Cash and cash equivalents:	
Unrestricted	\$ 9,732

LIABILITIES

Undistributed taxes and interest:	
Undistributed interest & overpayments	\$ 95
Marquette County	383
Township of Turin	61
Intermediate School District	125
School District	899
Tri-Township Fire Department	45
State of Michigan	261
CFR	7,863
	<hr/>
Total liabilities	\$ 9,732

See accompanying notes to financial statements.

Notes to Financial Statements

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township's Statement of Net Assets includes the accounts and funds of all Township operations. The Township was organized under the provisions of the Michigan constitution. The Township is operated under a commission form of government and provides services in the following areas: sanitation, roads, public improvements, and general administrative services.

The accounts of the Township have been maintained in accordance with the balanced fund principles of accounting for governmental units. During the year the Township adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation. The following is a summary of the more significant policies and financial reporting descriptions:

- (1) Government-Wide Financial Statements - The Statement of Net Assets and Statement of Activities display information about the Township as a whole. They include all funds of the Township except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.
- (2) The statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods or services provided by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.
- (3) Fund Accounting – The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial report into two generic fund types within two broad categories as follows:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FIDUCIARY FUNDS

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Trust and Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operation.

- (4) Basis of Accounting – Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Both the Government-wide financial and the Governmental fund financial statements using the cash basis of accounting. The cash basis method dictates that revenues be recorded when cash is collected and expenditures be recorded when cash is disbursed. The cash basis method is not an appropriate reporting method under generally accepted accounting principles for governmental units.

- (5) Budgets and Budgetary Accounting – The following procedures are followed in establishing the budgetary data reflected in these financial statements:
- a. Prior to December 1, the Township Clerk submits to the Township Board a proposed operating budget of the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
 - b. Prior to the beginning of the next fiscal year the budget is legally enacted through passage of an ordinance.
 - c. The budget for the General Fund is adopted on the cash basis which is not consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted by the Township Board.
- (6) Property Taxes – Property taxes levied attach as an enforceable lien on property. The Township bills and collects its own property taxes and also the taxes for the local school district, the Intermediate School District, and the County. Collections and remittances for all taxes are accounted for in the trust and agency fund. Township property tax revenues are recognized when collected in accordance with the cash basis method of accounting.
- (7) Capital Assets – Capital assets, which include property and buildings, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed.

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings of the Township are depreciated using the straight-line method over the estimated useful lives of the assets.

- (8) Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND EQUIVALENTS

The composition of cash and equivalents as reported on the Statement of Net Assets for the Township are presented below:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Deposits:		
Insured (FDIC)	\$ 120,000	\$ 120,000
Uninsured	<u>81,321</u>	<u>82,083</u>
 TOTAL OF CASH AND EQUIVALENTS	 <u>\$ 201,321</u>	 <u>\$ 202,083</u>
 Government-Wide Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	\$ 191,589	
 Fiduciary Statement of Net Assets presentation:		
Cash and equivalents:		
Unrestricted	<u>9,732</u>	
 TOTAL	 <u>\$ 201,321</u>	

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE B – CASH AND EQUIVALENTS (Continued)

Cash and cash equivalents consist solely of checking and saving account deposits.

Michigan statutes authorize the Township to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposit, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC, commercial paper, bankers' acceptances of United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds.

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

Interest Rate Risk. The Township carries no significant interest rate risk as all of its holdings are in bank accounts with a high degree of liquidity.

Credit Risk. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations with a maximum maturity of 270 days. The Township has no investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure the Township's deposits may not be returned. At March 31, 2006, the Township held \$202,083 in deposits with financial institutions, in which \$82,083 was uninsured and uncollateralized. Although such deposits exceed federally insured limits, they are in the opinion of management, subject to minimal risk.

Concentration of Credit Risk. The Township has no significant concentration of credit risk due to the fact that its deposits are with area banks.

Foreign Currency Risk. The Township has no foreign currency risk as it has no deposits or investments in foreign currency.

All deposits for the Township are in accordance with statutory authority.

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE C – CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2006, is as follows:

	Balance at 04/01/05	Additions	Disposals	Balance at 03/31/06
Governmental activities:				
Land, not being depreciated	\$ 701	\$ -	\$ -	\$ 701
Buildings and improvements	156,000	-	-	156,000
Total capital assets	<u>156,701</u>	<u>-</u>	<u>-</u>	<u>156,701</u>
Less accumulated depreciation:				
Buildings and improvements	111,125	3,900	-	115,025
Total accumulated depreciation	<u>111,125</u>	<u>3,900</u>	<u>-</u>	<u>115,025</u>
Net governmental activities capital assets	<u>\$ 45,576</u>	<u>\$ (3,900)</u>	<u>-</u>	<u>\$ 41,676</u>

Depreciation expense was charged to the governmental activities as follows:

General government	<u>\$ 3,900</u>
Total governmental activities depreciation expense	<u>\$ 3,900</u>

TOWNSHIP OF TURIN
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE D – EMPLOYEE’S RETIREMENT SYSTEM

The Township has a defined benefit pension plan covering all of its general officials and trustees. The plan is administered by the Municipal Retirement Systems, Inc. The Township makes contributions annually based upon 6 percent of current employee earnings.

Current year contributions to the plan were \$3,928. The additional plan information required by GASB Statement #5 is not available.

NOTE E – BUDGET VIOLATIONS

Public Act 621 of 1978, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

Expenditures that exceeded appropriations by material amounts are as follows:

	<u>Budget</u>	<u>Actual</u>	Final Amended (Unfavorable) <u>Variance</u>
General fund			
General fund	\$47,142	\$49,497	\$(2,355)

NOTE F – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; injury to employees; and natural disasters. The Township maintains insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township.

The Township has had no significant reduction in insurance coverage over the past three years.

Required Supplemental Information

TOWNSHIP OF CORNELL
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - CASH BASIS - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended March 31, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 37,000	\$ 37,062	\$ 38,834	\$ 1,772
State sources	9,000	9,131	9,131	-
Reimbursements		1,693	1,693	(2,613)
Interest and rentals	1,400	4,306	3,595	3,595
Total revenues	47,400	52,192	53,253	2,754
EXPENDITURES:				
General government:				
Supervisor	2,900	2,256	2,336	(80)
Clerk	4,200	2,425	3,699	(1,274)
Treasurer	7,600	6,206	5,910	296
Township hall & grounds	8,200	5,123	5,640	(517)
Auditing and accounting	2,500	285	285	-
Elections	1,400	-	-	-
Sanitation	25,400	12,441	12,440	1
Assessor	750	400	400	-
Other	6,800	4,242	4,312	(70)
Public works:				
Street lighting	2,500	1,890	2,054	(164)
Roads	10,000	1,303	828	475
Capital Outlay	14,500	810	638	172
Other:				
Fringes	4,000	3,928	3,928	-
Miscellaneous	4,400	591	1,785	(1,194)
Insurance & bonds	7,000	5,242	5,242	-
Total expenditures	102,150	47,142	49,497	(2,355)
Excess revenues (expenditures)	(54,750)	5,050	3,756	399
Fund balance - beginning	187,853	187,853	187,853	-
Fund balance - ending	\$ 133,103	\$ 192,903	\$ 191,609	\$ 399

Supplemental Information

TOWNSHIP OF TURIN
TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - CASH BASIS
March 31, 2006

	Balance 4/1/2005	Additions	Deductions	Balance 3/31/2006
<u>TRUST AND AGENCY FUND</u>				
Assets:				
Cash	\$ 63	\$ 131,456	\$ 121,787	\$ 9,732
Liabilities:				
Undistributed interest				
and overpayments:	\$ 63	\$ 213	\$ 181	\$ 95
Marquette County	-	20,114	19,731	383
Township of Turin		4,854	4,793	61
Intermediate School District	-	12,870	12,745	125
School District	-	61,437	60,538	899
Tri-Township Fire Department	-	3,432	3,387	45
State of Michigan	-	20,673	20,412	261
CFR	-	7,863	-	7,863
TOTAL LIABILITIES	\$ 63	\$ 131,456	\$ 121,787	\$ 9,732

See accompanying notes to financial statements.



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal
Alan M. Stotz, CPA, Principal
Raymond B. LaMarche, CPA, Principal
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA
Lindsay J. Behrend, CPA
Christina A. Smigowski, CPA
Sarah M. Pelozza, CPA

REPORT TO MANAGEMENT

Township Board
Township of Turin
17506 Highway M 35
Rock, MI 49880

We have audited the financial statement of the Township of Turin for the year ended March 31, 2006, and have issued our reports thereon dated September 20, 2006. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 1, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the Township of Turin. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township of Turin are described in Note A of the financial statements.

During the current year, the Township prepared their financial statements in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which significantly changes the financial reporting format for the Township.

We noted no transactions entered into by the Township of Turin during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Management Judgement and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of these estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, do not have a significant effect on the financial reporting process.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the Township of Turin or a determination of the type of auditors' opinion to be expressed on those statements, our professional

standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Turin's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the Township of Turin, for the year ended March 31, 2006, we considered the Township of Turin's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated September 20, 2006, on the financial statements of the Township of Turin.

We have already discussed many of these comments and recommendations with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of the Township of Turin and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Andersen, Tackman & Company P.L.C.

Certified Public Accountants

September 20, 2006

Bank reconciliation

We noted during our audit that the reconciled bank balance for the checking account in the General Fund did not agree with the trial balance. We recommend that in the future steps should be taken to agree these two amounts.

Receipts ledger

It was noted during our audit that two columns in the subsidiary receipts ledger did not foot properly and therefore caused the receipts to be higher than the total column for the month. We recommend that the columns be checked for accuracy.

Budget Violation

Total expenditures in the General Fund exceeded the appropriated amounts by \$2,355. We recommend that in the future the board amend the budget to appropriate sufficient funds to cover actual expenditures.

Unlawful expenditures

We noted during our audit that there were several unlawful expenditures, for approximately \$450, related to holiday gatherings for the youth. While these expenditures were not material in nature, we recommend that the township refer to the *Bulletin for Audits of Local Units of Government in Michigan* for a listing of unlawful expenditures.